

NATION IS FACING REAL EMERGENCY

Comptroller of Currency, in Report, Advocates Remedy for Financial Stringency.

SAYS GOVERNMENT SHOULD
ESTABLISH CENTRAL BANK

Congress Should Take Action at
Early Date to Provide
Effective Relief.

WASHINGTON, Dec. 15.—Comptroller of the Currency, William B. Ridgely, in his annual report today, says that the nation has a real emergency to face, that confidence is restored only in a measure and that Congress should immediately make a law providing for an emergency issue of currency to relieve the situation.

An abstract of the lengthy report follows:

The conditions which led to the

panic of October and November, 1907, were not due to the failure of a few individual banks. They were not due to the lack of confidence of the people in the banks, but more to a lack of confidence of the banks in themselves and their reserves.

Banks have been fearful that the reserve system would break down, and in consequence it has broken down, and the reserve deposits have been only partially available. They were also fearful that not sufficient currency could be supplied to the demand, and as they all made the demand at once, there has not been sufficient currency. The result has been a currency famine.

Improve Reserve System.
The remedy for this state of affairs is to improve the reserve system so that the reserve deposits of the banks can be kept in a bank where they are sure and certainly available.

"We must impart to our currency system some element of elasticity, so that when there comes a sudden demand for currency, it can be supplied in bank notes, without depleting the supply of reserve money."

"These two desirable changes can be best accomplished—in fact, they can be satisfactorily accomplished only through the establishment by the government of a central bank of issue and reserve."

"Such a bank would not only solve the two great problems of our banking system, but it would also provide the machinery for conducting the treasury operations in their relations to the banks with the least disturbance."

"We have a real emergency to face. Confidence is only in a measure restored. If a bill should be passed by Congress providing for some emergency issue of currency through the clearing house association or other machinery now organized and existing, so that the action might promise to be very prompt

and effective, it would doubtless be very helpful. Any measure of this kind, however, to be of any assistance in this emergency, must be adopted very promptly."

"The banking power of the United States is 1907 as represented by capital, surplus and other profits, deposits and circulation of national and other reporting banks, together with the estimated amount of funds of this character in the non-reporting banks, is shown to be \$17,824,847,682; the combined banking power of the world is \$28,874,000,000."

How Stringency Came.

"Early in the year conditions in the United States and abroad evidenced the probability of contraction of business in general and tightness of the money market, but the extraordinary conditions developed in October were not foreseen to an appreciable extent in the banks' reports as a whole, up to August 22. There was a steady increase in the volume of loans and discounts from \$4,366,045,293 November 12, 1906, to \$4,678,583,968 August 22, 1907, the total increase being \$312,538,675. This increase was due in part to the fact that 516 banks, with authorized capital of \$24,967,000, were chartered during the year, but mainly to the increase in business of the older associations."

"The sixty banks located in the central reserve cities, New York, Chicago and St. Louis, held \$1,061,212,415; and the 306 banks in the other forty reserve cities held investments of this character to the amount of \$1,242,440,628, the total for both classes of reserve cities being \$2,303,653,043."

"On August 22, 1907, the deposits on which reserve was required amounted to \$5,256,985,987; the reserve, \$1,121,358,395, the average being 21.33 per cent; that of the central reserve city banks, 26.18 per cent; of other reserve city banks, 25.46 per cent, and of country banks, 16.88 per cent. The average on January 26 for all banks reached 26.87 per cent, the highest of the year."

"In the year closed October 31, 1907, there was a gross addition to the capital stock of national banks of \$76,148,000, the losses being, by liquidation, \$111,325,000; expiration of charters, \$420,000; by failures, \$925,000; by reduction of authorized capital, \$410,000; total decrease, \$1,380,000; the apparent net increase being \$63,068,000."

"The average capital of the 6650 associations in existence October 31, 1907, was \$136,733."

Largely Increased Circulation.

"The authorized capital stock of all the national banks at the close of the current report was \$909,274,775; circulation outstanding, \$962,727,614; secured by bonds deposited to the amount of \$566,994,910. The aggregate circulation outstanding was \$860,080,486, which includes \$47,252,852 deposited with the treasurer on account of liquidating and insolvent banks and those reducing their circulation."

"There was an increase in national bank circulation between 1900 and 1907 of \$355,900,000, over 140 per cent."

"The aggregate capital of the 6043 banks reporting was \$842,685,930, on which dividends were paid to the amount of \$99,728,239, an average of 11.8 per cent. The gross earnings were \$314,701,592, against which were charged losses and premiums of \$30,922,182 and expenses of \$131,543,975, leaving the net amount of earnings, \$152,235,433."

"The average annual rate of divi-

dends declared by national banks since March 1, 1869, is 8.76 per cent, and the aggregate amount of dividends declared has reached a total of \$1,925,083,959, an average annual capital of \$378,251,374, with the proportion of aggregate dividends to average capital being 333 per cent."

"Charters of four associations expired by limitation and eighty associations were placed in voluntary liquidation, their aggregate capital being \$11,745,000."

"The business of twenty-seven banks, with aggregate capital of \$6,390,000, was absorbed by other associations; five banks, including four the charters of which expired, were liquidated for the purpose of reorganization; thirty-eight were closed to reorganize as state banking institutions, and the remainder (fourteen) closed to discontinue business."

Small Number of Failures.

"The average life of an active receiver is approximately four years, and the expense of administering a trust based upon the nominal value of the assets of the banks closed, has been 4.30 per cent."

"From the date of the first failure in 1867 to October 31, 1907, the affairs of 433 insolvent national banks have been administered through the instrumentality of receivership. Receivers have been appointed, however, for 475 banks, but 61 of that number twenty-two were restored to solvency and authorized to resume business. The number of failures is only 5 per cent of the total number of banks chartered."

"During the past year 516 banks with aggregate capital of \$24,967,000 were chartered."

"At the close of the fiscal year ended June 30, 1907, there were in operation 13,317 banks other than national, with aggregate resources of \$11,168,514, 516, being an increase of 1465 banks and over \$805,000,000 in resources reported the previous year."

"The returns include 9967 commercial banks, 794 loan and trust companies, 1415 savings banks (of which 678 were of the mutual class, i. e., without capital stock) and 1141 private banks."

"The reports indicate an increase in aggregate resources in 1907 over 1906 of \$805,163,670; the individual deposits increased approximately \$617,000,000."

"The individual deposits in all reporting banks were \$13,099,615,348, a gain of over \$3,860,000,000 within the past seven years. During the current year there has been a gain of approximately \$884,000,000, or 7.23 per cent."

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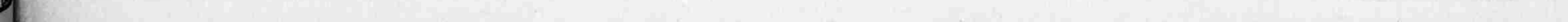
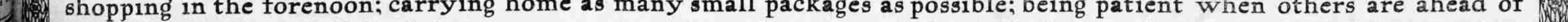
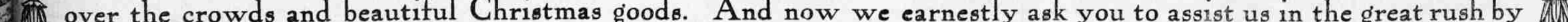
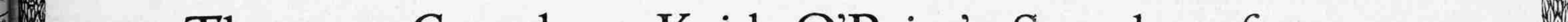
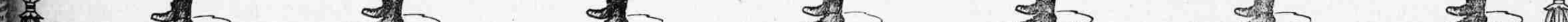
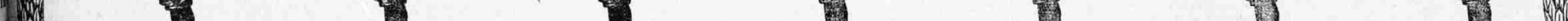
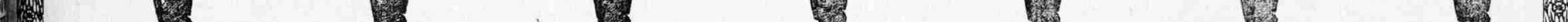
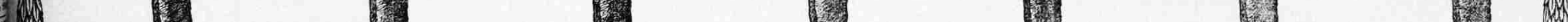
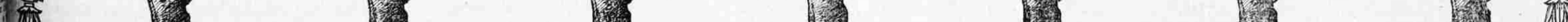
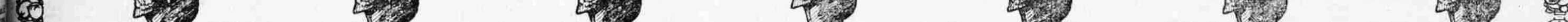
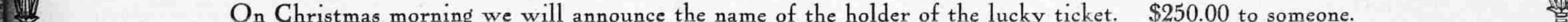
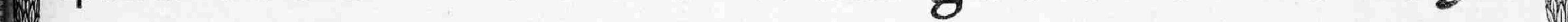
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